

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, May 17, 2016 – 2:00 p.m. – Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Dean Sanpei, Co-Chair
Sen. Jerry W. Stevenson, Vice Chair
Rep. Brad L. Dee, Vice Chair
Sen. J. Stuart Adams
Sen. Jim Dabakis
Sen. Gene Davis
Sen. Luz Escamilla
Sen. Peter C. Knudson
Sen. Karen Mayne
President Wayne L. Niederhauser
Rep. Patrice M. Arent
Rep. Joel K. Briscoe
Rep. Rebecca Chavez-Houck

Rep. James A. Dunnigan
Rep. Francis D. Gibson
Speaker Gregory H. Hughes
Rep. Brian S. King
Rep. Brad R. Wilson

Members Excused:

Sen. Ralph Okerlund

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Sanpei called the meeting to order at 2:17 p.m.

MOTION: Sen. Hillyard moved to adopt the minutes of January 28, February 18, March 4, and March 9, 2016. The motion passed unanimously with Sen. Adams, Sen. Davis, Sen. Mayne, President Niederhauser, Rep. Briscoe, and Rep. Wilson absent for the vote.

2. Federal/Non-federal Grants Review

Mr. Gary Syphus, LFA, Fiscal Analyst gave an update on H.B. 329, “Federal Funds Procedures Act Amendments” passed in the 2016 General Session that makes changes to the federal funds review process and approval requirements. He also referred to a summary document prepared by FFIS, “Federal Grants Per Capita, FY 2015” that was available for committee information behind Tab 2.

Mr. Ken Matthews, Federal Assistance Management Officer, Governor’s Office of Management and Budget (GOMB), presented the “Federal and Non-Federal Grants Report” dated May 17, 2016.

Under federal grants, there were 11 new grants and one continuation requiring legislative action and 16 new grants approved by the Governor’s Office.

Under non-federal grants, there were five new grants and two reapplications/continuations requiring legislative action. Finally, the Governor’s Office approved five new non-federal grants.

MOTION: Sen. Hillyard moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, “Federal/Non-Federal Grants Review and Approval” under the heading, “Grants Requiring EAC Review and Recommendation” and dated today, May 17, 2016. The motion passed unanimously with Sen. Adams, Sen. Mayne, and Rep. Wilson absent for the vote.

3. Utah Air National Guard Relocation

General Jeff Burton, Utah National Guard (UNG), remarked that during the 2016 General Session the Legislature appropriated \$500,000 for strategic planning to move the Air National Guard Air Refueling Wing to Hill Air Force Base (HAFB). For the past few years, he has viewed the move to HAFB as the most appropriate course of action to stay relevant and keep the mission in Utah.

As a result of recent discussions with the U.S. Air Force, General Burton indicated that the Utah Air National Guard needs to broaden its strategic plan to include the option of recapitalizing the existing facilities at the Salt Lake Air Base. He said that the U.S. Air Force’s focus was on the development of the F-35 rather than a move of the Wing to HAFB.

General Burton clarified that the \$500,000 appropriation would be used for planning and not for the move itself. He said that the UNG has been pursuing public and private partnerships as a way to help finance the move. General Burton said that the estimated cost of moving the Wing to HAFB is between \$160 million and \$250 million and that the cost to recapitalize the Salt Lake Air Base would be about the same.

General Burton briefly discussed the hiring of state strategic planners and consultants to market the plan. He remarked that if we do nothing, the Air UNG’s mission will be irrelevant in 20 years.

Rep. Wilson asked for more time to consider the project. He felt that it would be important to talk with Utah’s federal delegation and the U.S. Air Force about this matter.

General Burton responded to some additional committee questions regarding the contingency planning and staying viable.

MOTION: Sen. Hillyard moved to invite General Burton to report back to the Executive Appropriations Committee on how the Utah Air National Guard would spend the planning money at Salt Lake and what options would be available to fund the Salt Lake expansion, and how the buildings and facilities would be used when the UNG moves to Hill Air Force Base. The motion passed unanimously with Sen. Davis absent for the vote.

4. Fiscal Health Check-up

This agenda item was not heard.

5. Adopt Revenue Estimates after 2016 G.S. Legislative Actions

Dr. Andrea Wilko, Chief Economist, LFA, presented the “[May Revenue Estimates in Thousands, FY 2016 – FY 2017](#).” She explained that the May revenue estimates reflect the February adopted revenue estimates adjusted for legislative changes (bills passed from the previous session). The May estimates provide the Division of Finance with a baseline to calculate any potential surplus or deficit and potential transfers to the various contingent appropriations including the Rainy Day Fund, Disaster Recovery Fund,

and Industrial Assistance Fund. Dr. Wilko stated that in June she would be presenting a comprehensive range forecast for 2016 and an update on the economy.

Rep. Briscoe asked for a clarification related to the negative one-time amounts shown on the revenue sheet. Dr. Wilko responded that the numbers were a result of legislative actions and had nothing to do with current collections or the economy.

Mr. Ball remarked that legislative changes to the General Fund/Education Fund revenue for the 2016 General Session could be found in Table 8 in the Appropriations Report, "[Budget of the State of Utah and Related Appropriations, 2016-2017](#)." He noted that the negative amount in General Fund, one-time was the result of the earmark shift in S.B. 80 and the negative amount in the Education Fund, one-time was attributed to S.B. 1001 (2015 General Session First Special Session).

MOTION: Sen. Hillyard moved to adopt revenue estimates as shown on the handout entitled, "May Revenue Estimates in Thousands, FY 2016 – FY 2017" and dated today, May 17, 2016. The motion passed unanimously with Sen. Davis absent for the vote.

6. Summary of 2016 G.S. Budget Actions

This agenda item was heard later on in the meeting.

7. TANF Funding Used in 2016 G.S. and Remaining Reserve

This agenda item was not heard.

8. Special Session Appropriations Bill Review

Ms. Jill Curry, Fiscal Analyst, LFA, explained that information pertaining to the special session appropriations bill was available behind Tab 8 in the committee binders that included: the call for a special session, an enrolled copy of [S.B. 2, Item 6 \(2016 General Session\)](#), and a copy of [S.B. 2001, Public Education Appropriation Restorations \(2016 Second Special Session\)](#).

S.B. 2001 restores appropriations to the State Office of Education – Initiative Programs line item that were vetoed by the Governor. The bill appropriates \$998,900 ongoing and \$3,775,000 one-time from the Education Fund to the following programs:

- (\$1,000,100) ongoing from Electronic High School;
- \$1.5 million ongoing to Upstart Early Childhood Education;
- \$275,000 one time for ProStart Culinary Arts Program;
- \$500,000 ongoing for the Electronic Elementary Reading Tool;
- \$3.0 million for Early Intervention; and
- \$500,000 IT Academy.

S.B. 2001 also contains the same intent language as found in S.B. 2, Item 6. The language authorizes Temporary Assistance for Needy Families (TANF) funds for UPSTART and includes reporting requirements on the use of those funds by the Department of Workforce Services to the Legislative Fiscal Analyst no later than September 1, 2016.

MOTION: Sen. Hillyard moved to adopt Senate Bill 2001, 2016 Second Special Session, as an Executive Appropriation Committee bill.

SUBSTITUTE MOTION: Rep. Briscoe moved after line 53 to insert the following: The Legislature intends that the State Board of Education use the funds appropriated for ProStart only to expand student access to the program by contracting with ProStart to provide or supplement existing sub grants to schools.

Rep. Briscoe explained that the purpose of the amendment was to honor the intent of putting \$275,000 into ProStart but not into a TV program. The funding would be used to expand the number of schools that offer ProStart or support schools that already have ProStart.

Speaker Hughes spoke against the substitute motion noting that the appropriations bill does not designate the funds specifically whereas the amendment would. He felt that the decision on how those funds are used should be left up to ProStart.

Rep. Gibson remarked that a televised competition allows students to view the capabilities of other students, including students in rural parts of the State. He spoke against the substitute motion.

Sen. Adams mentioned the diversity of opportunity that the ProStart program provides. He spoke against the substitute motion.

Sen. Dabakis felt that the funding for ProStart should serve a broader base of students. He spoke in favor of the substitute motion.

The substitute motion tied in the Senate with Sen. Dabakis, Sen. Escamilla, Sen. Hillyard, and Sen. Mayne voting in favor of the motion. The substitute motion failed in the House with Rep. Arent, Rep. Briscoe, Rep. Chavez-Houck, and Rep. King voting in favor of the motion. The substitute motion failed.

A vote was taken on the original motion. The motion passed with Rep. Arent, Rep. Briscoe, and Rep. King voting in opposition to the motion.

9. Utah Communications Authority Credit Card Misuse and Internal Controls Enforcement

Mr. Gary Syphus, Fiscal Analyst, LFA, presented the Issue Brief, "[Utah Communications Authority: Process/Internal Controls](#)."

Mr. Syphus noted that the Legislative Auditor General and the State Auditor had conducted a review and audit of the Utah Communications Authority (UCA) and that the State Auditor would be presenting their findings and recommendations to the Public Utilities Interim Committee on May 18, 2016. Mr. Syphus pointed out that LFA's recommendations do not conflict with the State Auditor's recommendations.

Mr. Syphus highlighted three options to address the issue of internal controls and overall budget and administrative processes.

Mr. Syphus provided some background information regarding a former employee's admitted misuse of UCA credit cards (paid for with public funds) to make improper personal purchases. Lack of oversight and poorly executed internal controls were some of the factors contributing to the fraud, which had been

occurring for almost a decade. Mr. Syphus noted that while the UCA Board had taken a number of steps to improve oversight – including dismissing the employee, its accountant, and its Executive Director, the LFA recommended a number of steps to improve financial oversight of public funds received by UCA, as outlined in Option #2 on page 4 of the Issue Brief. In addition, the LFA recommends changes to appropriations to better monitor funding over time:

1. Make UCA subject to the Budgetary Procedures Act. This will give policy makers prospective insight onto UCA's budget, rather than the less than perfect retrospective look the Legislature has had after the fact.
2. Require UCA to use the state accounting system (FINET) rather than QuickBooks for accounting. This allows the Legislature and the Office of the Legislative Fiscal Analyst real-time access to UCA financial transactions. It also streamlines UCA reporting to the Utah Public Finance website – Transparent.Utah.Gov.
3. Require UCA to use the state Purchasing Card (PCard) rather than a commercial card. The PCard has many controls in place to detect and avoid fraud.
4. Direct the Division of Finance to consult with UCA on internal financial controls, implement the changes recommended by Finance, and report back to EAC or a subcommittee.
5. Rescind some or all of the \$17.5 million FY 2016 General Fund appropriation to UCA until all of the above steps are complete, the agency has secured a new executive, financial manager, and accountant, and UCA has developed and submitted to the Legislature a long-term strategic plan for investment of \$17.5 million.

Mr. Syphus indicated that UCA is working towards complying with some of those recommendations. Finally, he stated that the Legislature may want to consider conducting a review of all independent state agencies' internal controls and processes.

Rep. Chavez-Houck asked if the UCA was subject to an audit committee. Ms. Tina Mathieu, UCA Board Chair, replied that the UCA board has recently reconstituted an audit committee and strengthened the by-laws.

Ms. Mathieu spoke in greater detail about the fraudulent misuse of the UCA credit cards by a former UCA employee and explained the steps the UCA Board has taken to prevent this from happening again. UCA has aggressively pursued civil action against the former employee and has been able to recover some of the funds.

Ms. Mathieu also referred to a lengthy list of actions the board has been taken in three main categories: personnel changes, outsourcing and separation of duties, and adopting state standards and laws.

Rep. Chavez-Houck inquired further about civil remedies.

Mr. Quinton J. Stephens, Ballard Spahr LLP, responded that there are civil remedies that have been pursued. The former employee and her daughter have confessed to the allegations and confessed to judgement and that judgement has been entered.

Sen. Dabakis asked for some reassurance that this kind of activity would not happen again. Mr. Ball responded that Division of Finance would be addressing the use of internal controls in the next part of today's discussion. He also mentioned that in 2013 LFA prepared a report recommending that a number

of independent entities report to the Retirement and Independent Entities Appropriations Subcommittee on an annual basis to talk about their budgets and internal controls.

Rep. Arent commented that improved accountability should go beyond reporting and include some sort of audit procedure than can be done on a periodic basis.

Mr. John Reidhead, Director, Division of Finance, talked about internal controls among state agencies as outlined in the document, "[Executive Branch Financial Internal Control](#)." He reviewed internal control objectives, responsibilities, activities, and assessment areas. He also discussed separation of duties and recommended controls for cash receipts, cash disbursements, and the P-Card.

Mr. Reidhead pointed out that the Division of Finance also works with the Legislative and Judicial branches of government.

MOTION: Sen. Hillyard moved to accept Option #2 as shown on page 4 of the Issue Brief entitled, "Utah Communications Authority: Process/Internal Controls" presented to us today, and direct staff to work with the committee co-chairs to prepare legislation necessary to implement the recommendations. The motion passed unanimously with Sen. Davis, Sen. Escamilla, Sen. Mayne, Rep. Dunnigan, and Rep. Gibson absent for the vote.

10. "Road to Mighty" Advertising Campaign Report

Ms. Vicki Varela, Director, Utah Office of Tourism, Film and Global Branding, reported on the "Road to Mighty" advertising campaign that was rolled out two months ago. She also gave an update on how the Office of Tourism measures overall success.

The new "Road to Mighty" campaign follows the successful Mighty Five campaign that was launched three years ago to promote Utah tourism. The "Road to Mighty" expands visitation beyond Utah's five national parks to many rural areas that are intent on growing their tourism economies. Target markets include millennials, young professionals, and multi-generational families. The total budget for the "Road to Mighty" campaign is just over \$5 million.

Ms. Varela showed a short video, "[Road to Mighty](#)" and discussed marketing strategies that included digital ads, social media, and pilot programs that track hotel and flight bookings.

Ms. Varela reported that the Strategic Marketing and Research Insights (SMARI) 2016 Road to Mighty report, which is due in December, will measure how many people traveled to Utah after seeing the video ad. Last year's Mighty 5 SMARI report indicates that 1.7 million trips were made to Utah resulting in \$1.96 billion in spending, \$91.96 million in state tax revenues and \$63.59 million in local tax revenues.

Rep. Arent asked a clarifying question about the hotel booking report.

Sen. Adams asked how the Legislature could further support the tourism effort. Ms. Varela stated that the Tourism Marketing Performance Fund has helped increase Utah's visibility but there is still more work to be done. As far as the Office of Tourism is concerned, she indicated that having the resources to hire one or two additional FTE would be helpful.

11. Summary of 2016 G.S. Budget Actions [Agenda Item 6]

Mr. Ball demonstrated how to access the slide show, “[Budget of the State of Utah FY 2016 – FY 2017](#),” on the website: budget.utah.gov. He explained that legislators can use this introductory tool in their various constituent meetings to explain what happened to the budget.

Mr. Ball also discussed LFA’s two major products that will be presented to legislators on the May 18, 2016 Interim Day. The products include: an online interactive tool, [Budget Data Viz](#), and the Annual Appropriations Report, “[Budget of the State of Utah and Related Appropriations, 2016 - 2017](#).”

MOTION: Sen. Hillyard moved to accept the report, “Budget of the State of Utah and Related Appropriations” as a required report under UCA 36-12-13 and to direct staff to distribute the report to all legislators. The motion passed unanimously with Sen. Davis, Sen. Escamilla, Sen. Mayne, and Rep. Gibson absent for the vote.

12. Other Business/Adjourn

MOTION: Sen. Hillyard moved to adjourn. The motion passed unanimously with Sen. Davis, Sen. Escamilla, Sen. Mayne, and Rep. Gibson absent for the vote.

Co-Chair Sanpei adjourned the meeting at 4:07 p.m.